

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 7449

BILL NUMBER: HB 1585

NOTE PREPARED: Mar 15, 2013

BILL AMENDED: Mar 14, 2013

SUBJECT: Transfer of Certain Municipal Territory.

FIRST AUTHOR: Rep. Slager

FIRST SPONSOR: Sen. Hershman

BILL STATUS: CR Adopted - 2nd House

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: Local

Summary of Legislation: (Amended) *Maximum Levies:* This bill provides that if a township's township assistance (TA) property tax levy for property taxes first due and payable in 2013 is more than ten times the statewide average TA property tax levy (as determined by the Department of Local Government Finance [DLGF]), then the DLGF shall do the following:

- (1) Remove the TA property tax levy from the maximum property tax levy for the township's general fund.
- (2) Require the township to separate its TA property tax levy into two property tax levies (a TA benefits property tax levy and a TA administration property tax levy).
- (3) Calculate a separate maximum permissible property tax levy for those two tax levies.

The bill specifies the amount of the initial maximum permissible property tax levies for a township with a separate TA benefits property tax levy and a separate TA administration property tax levy.

Distressed Unit: The bill also provides that if a township's TA property tax levy (or the sum of the township's TA benefits property tax levy and TA administration property tax levy, in the case of a township with such separate tax levies) for property taxes first due and payable in 2016 is more than ten times the statewide average TA property tax levy, the Distressed Unit Appeal Board (DUAB) may in 2016 designate the township as a distressed political subdivision, effective January 1, 2017, regardless of whether the township has submitted a petition requesting to be designated as a distressed political subdivision.

Effective Date: July 1, 2013.

Explanation of State Expenditures: (Revised) *Maximum Levies:* The DLGF would be required to calculate the 2012 statewide average percentage of total TA expenditures that were made for administration of the TA program. The DLGF could incur additional expenses to gather the information that would be necessary to make the calculation.

Explanation of State Revenues:

Explanation of Local Expenditures: (Revised) *Distressed Unit:* Under this provision, the DUAB may, on its own motion, designate any township as a distressed unit if the township's total 2016 TA levy is more than 10 times as high as the 2016 state average TA levy. A designation as a distressed unit by the DUAB would be effective on January 1, 2017.

Under current law, the DUAB appoints an emergency manager for a civil taxing unit designated as a distressed political subdivision. The emergency manager assumes all authority and responsibilities of both the executive and the fiscal body concerning the adoption, amendment, and enforcement of ordinances and resolutions that affect the unit's fiscal stability. The manager may not impose new taxes or fees.

The manager's duties include a review of budgets, salaries, payroll, contracts, and other claims, the conduct of a financial audit, the development of a financial plan and a plan to pay obligations, and budget adoption. The manager may also renegotiate contracts, reduce or suspend salaries, and contract with other taxing units to provide services.

The distressed unit must pay the emergency manager's compensation and reimburse the emergency manager for actual and necessary expenses.

Explanation of Local Revenues: (Revised) *Maximum Levies:* Under this bill, the 2014 nonfire township maximum levy would be separated into three separate maximum levies if a township's 2013 TA levy is more than 10 times as high as the 2013 state average TA levy.

For the affected townships, the 2014 maximum levy for TA administration would equal the township's 2013 TA property tax levy, multiplied by the statewide administration expenditure percentage.

The 2014 maximum levy for TA benefits would equal the 2013 TA property tax levy minus the amount calculated for the TA administration maximum levy.

Both TA maximum levies would be increased by the usual 2014 maximum levy growth quotient.

The remaining 2014 nonfire maximum levy would be reduced by the two TA maximum levy amounts. Overall, the total township maximum levies would be unchanged by this bill.

While total maximum levies would not be affected, the amounts available separately for administration and benefits may or may not fit the existing spending patterns of a township. If the resulting maximum levy for either component is lower than current spending, then the township would have to curtail spending for that component. If the resulting maximum levy for either component is higher than the amount needed, then the township could reduce the property tax levy for that component.

The 2013 property tax levies are not yet available for all townships so 2012 levies were used to illustrate the

townships that could be affected. As seen in the following table, there were 13 townships that had a 2012 TA levy that exceeded 10 times the state average of \$40,487.

2012 Township Assistance Fund Levies			
County	Township	2012 Levy	Multiple of Avg. Levy
Lake	Calumet	8,906,031	219.97
Lake	North	3,020,590	74.61
Allen	Wayne	2,615,277	64.60
Delaware	Center	1,771,254	43.75
Marion	Center	947,776	23.41
Vanderburgh	Pigeon	909,712	22.47
Howard	Center	799,035	19.74
St. Joseph	Portage	702,312	17.35
Vigo	Harrison	652,359	16.11
Marion	Wayne	494,913	12.22
Porter	Portage	485,739	12.00
St. Joseph	Penn	456,763	11.28
Monroe	Perry	410,863	10.15

In addition, there were two townships, Columbus Township in Bartholomew County and Concord Township in Elkhart County that were just below the threshold of 10 times the average 2012 levy.

State Agencies Affected: Department of Local Government Finance; Distressed Unit Appeal Board.

Local Agencies Affected: Townships.

Information Sources: Cathy Wolter, Department of Local Government Finance, 317-232-3777; Local Government Database.

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